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Organizational Changes and the Quality of Intelligence

The DDI and NIO are being merged into the National Foreign Assessment Center (NFAC). This is being done in order to facilitate the meeting of the DCI's responsibility for the production of national intelligence by removing artificial organizational barriers. NFAC will also provide a foundation upon which additional efforts to improve the quality of our finished products can be based.

The merger has some well-defined purposes:

- to consolidate our limited analytical resources to better cope with the full range of production responsibilities;
- to provide the basis for a concerted effort to improve the national intelligence product and the analytical capabilities of the combined DDI and NIO organizations;
- to establish mechanisms to ensure the introduction of skills and knowledge outside the Intelligence Community into the production process (see the section on the use of outside experts);
- to improve the process by which key intelligence products are reviewed (see the section on the adversary process); and
- to further the interdisciplinary treatment of intelligence problems.

Achieving these purposes will require that we adopt some new operating styles, procedures, and organizational mechanisms. The new organization, for example, will encourage senior managers to concentrate on substantive matters and to work directly with analysts on specific intelligence problems. High priority will be given to the formulation and implementation of a planned program of production and research.

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Procedures will be developed and organizational changes made where they are required to achieve the objectives of the consolidation and the type of operations sought. An early task will be the development of procedures that will ensure:

- program formulation and oversight with the full participation of those involved in directing the research and analysis from both the disciplinary and issue-oriented points of view;
- a critical review, from outset through completion, of major intelligence products that incorporates perspectives drawn from outside the Intelligence Community;
- a systematic program to enhance the analytical capabilities for the production of national intelligence; and
- the maintenance of close relations with those collection, processing, and R & D elements of the Community on which analytical activities rely.

The only major organizational changes now contemplated are the merger of the Offices of the Deputy to the DCI for National Intelligence and of the Deputy Director for Intelligence, and of the National Intelligence Officers with the DDI/Center for Policy Support. These changes will result in a single front office supported by a single substantive staff for the entire organization.

The Director of NFAC will be responsible, of course, for the full range of the Center's activities, but his primary activity will be to serve as the principal substantive alter ego to the DCI. In this capacity, he will give special attention to improving the quality of National Intelligence Estimates and other papers prepared for the senior policy community. He will work directly with the senior officers and analysts engaged in preparing these papers. He will also have immediately available to him the services of a Review Panel and outside experts for substantive review and critique of major production efforts. A discussion of how we conceive of the Review Panel will be found in the section on the adversary process.

In addition to the Review Panel, a Production Board will be established to assist in the accomplishment of NFAC's objectives. The Production Board will be the principal mechanism for shaping the focus and content of the intelligence production program. It will function as a collective body to advise the Director on all aspects of intelligence production and research. It will be chaired by the Director and its membership will include the Deputy Directors, and, when production programs within their area or subject responsibilities are being considered, production office directors and National Intelligence Officers.

~~SECRET~~The Role of Adversary Processes in Improving the Quality of Products

The Directorate of Intelligence and the National Intelligence Officers, the predecessors of the National Foreign Assessment Center (NFAC), since early 1977 have actively reviewed the desirability of institutionalizing adversary mechanisms in the intelligence production process. Senior managers have been conscious of the need to ensure that all data are rigorously examined, uncertainties clearly stated, and the implications of alternative conclusions made explicit. The traditional analytic process, although containing some adversary and checking mechanisms--layers of internal review, the interagency coordination process, and some duplication of effort within the Intelligence Community--has been sharply criticized for failing to consider the range of conclusions flowing from the same data, for not bringing to bear on intelligence problems outside perceptions and innovative methodologies, and for becoming encrusted with institutional or component biases.

To improve the quality of products, the Director-Designate of NFAC has decided to create a Review Panel to provide him with an independent review of major intelligence products, especially those focusing on problems that have serious policy implications. The Review Panel will consist of up to five highly qualified generalists, recruited from outside and serving full-time. A roster of specialists will also be established to act as part-time consultants. They will supplement the Review Panel as required by the topic under consideration. One panel of specialists has already been convened. Production office directors and National Intelligence Officers may be called on to serve as members of a Review Panel on an ad hoc basis.

We anticipate that the Panel will serve not only as a Devil's Advocate--reviewing and critiquing selected intelligence production--but will surface alternative conclusions to best judgments (many of what have been described as "intelligence failures" stem from analysts not giving sufficient weight to worst-case hypotheses), assist in identifying critical intelligence questions that merit formal alternative hypothesis analysis or competitive analysis and taking part in, managing or monitoring such projects. The Review Panel members will also advise on analytical methods and keep senior managers in touch with developments in academia and elsewhere in the private sector. ✓

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Because the decision to create a Review Panel was taken only recently, the FY 1979 Budget submission to OMB contains no reference to the Panel. The Congressional Budget will, of course, contain a requested resource level. We estimate that the Panel will require [REDACTED]

[REDACTED] Costs associated with the roster of specialists is estimated to be [REDACTED]

The Director of Central Intelligence has indicated that he intends to maximize the public dissemination of our analytic products, consonant with security needs. This will contribute to the development of an adversary process--albeit in a post-publication setting. By making a larger portion of NFAC's output on critical issues available to experts in the private sector for critiques and alternative analyses--as we did in the case of our estimate of future Soviet oil production--we may stimulate healthy exchanges on our methodologies and substantive findings.

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The Use of Outside Experts and Contractors

Outside Experts

NFAC already makes use of outside experts--both individual consultants and panels--and will expand the number of advisory mechanisms in the future. Panels of outside experts advise, consult with, produce, and critique work for our analytical components. Among the panels currently active are

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The panels are small highly competent (leading senior specialists), and of diverse approach and viewpoint. In the case of the panels working with NFAC offices, a single intelligence issue or related set of problems determines the membership.

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The panels normally meet two to four times each year.

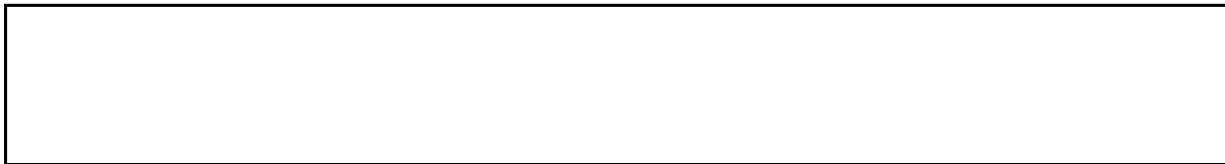
The panels are given high marks by people in NFAC who work directly with them. They are described as making valuable substantive contributions and providing significant means by which analysts can keep up with new developments in their fields. The panels have remained vital, flexible, and non-partisan. In some cases, the usefulness of the panels transcends the needs of the sponsoring component.

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The cost of maintaining the various NFAC panels is relatively low. Panelists are paid a standard per diem consulting fee and travel expenses, and sponsoring offices incur additional costs for direct support by line personnel. The largest single expenditure for the panels frequently occurs at the time of their formation: costs of contracting, clearing, processing, and setting up the group.

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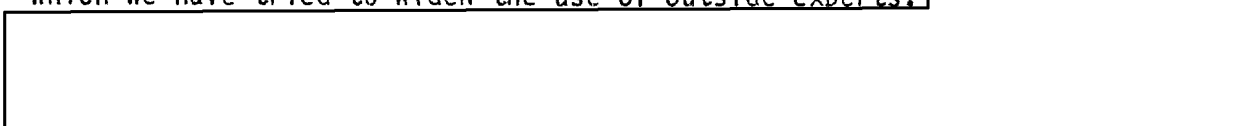


Despite the numerous successful precedents in the scientific, technical, military, and military-economic fields, most NFAC components could do more to take advantage of outside expertise on an organized basis (many, of course, do maintain contact with individual consultants and they also sponsor occasional seminars attended by both government and private sector experts). We believe, however, that many offices would benefit by more formal consultative relationships and the establishment of a number of regional and policy-issue panels will be encouraged. These panels should be organized so as to promote close ties with working-level analysts. The regional panels would be made up of area specialists drawn from a number of disciplines. We want the regional and policy-issue panels [redacted] members, meeting three or four times per year) to advise and critique current and planned research, advise on methodological innovations, recommend new lines of analysis, and make us aware of ongoing research in academia and other parts of the private sector.

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Our scholar-in-residence program, in which a university scholar works in a regular production office for a year or so, is another way in which we have tried to widen the use of outside experts. [redacted]

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Contractors

NFAC values external analysis contracts as a means of broadening its analysis, bringing outside opinion to bear on complex intelligence problems, and obtaining highly specialized and expensive expertise for short periods of time. [redacted]

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The FY 1979 external analysis program is a major part of our overall attempt to strengthen NFAC's analytical capabilities to meet growing demands for analyses on world resources, Soviet and Chinese energy needs, advanced technology and weapons systems, as well as other high priority matters in a more sophisticated, interdisciplinary way. Such a

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program is a vital adjunct to in-house analysis. It provides the NFAC with the capability to "rent" some of the best talent in particular areas of need. Such a capability greatly expands the analytical pool and can often make the difference between good analysis and the very high quality analysis that the US Government needs.

Principal Features of the FY 1979 External Analysis Program

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Improving Analytical Techniques, Both Quantitative and Qualitative

NFAC's effort to keep improving the quality of its products is centered on enhancing the capabilities of those who analyze intelligence information. In the past, this process has consisted chiefly of providing advanced substantive training and foreign travel opportunities that complement the qualifications our employees have acquired earlier through some combination of academic training, military experience, overseas residence or other Agency/government service. More recently, however, these measures have been augmented by programs to identify new analytical methods and, where applicable, to incorporate them into the day-to-day data-marshalling and intellectual-processing performed by our analysts. This new emphasis on analytical techniques is now evident throughout the organization though its impact on the production process and the quality of the end products varies from office to office. The following paragraphs describe the focus of the methodology programs in four key components, the projects they will encompass in FY 1979, the cost of these undertakings, and the plans for continuing this activity in FY 1980-83.

Office of Economic Research (OER)

To accelerate the development and application of new analytic techniques to the production of economic intelligence, OER established a Development Analysis Center (DAC) about 3 years ago. This Center was specifically charged with identifying and modifying new quantitative methods and computer processing applications for use by the Office, for training all OER components in the employment of automatic data processing and econometric methods, and for liaison with other government and non-government organizations on these matters. Centralization of these functions has resulted in an acceleration of the introduction of new techniques to the OER production process.

The DAC's initial goals were:

- to create a number of operational macroeconomic models on major industrial countries;
- to consolidate and expand the quality control of a number of large automated data bases;

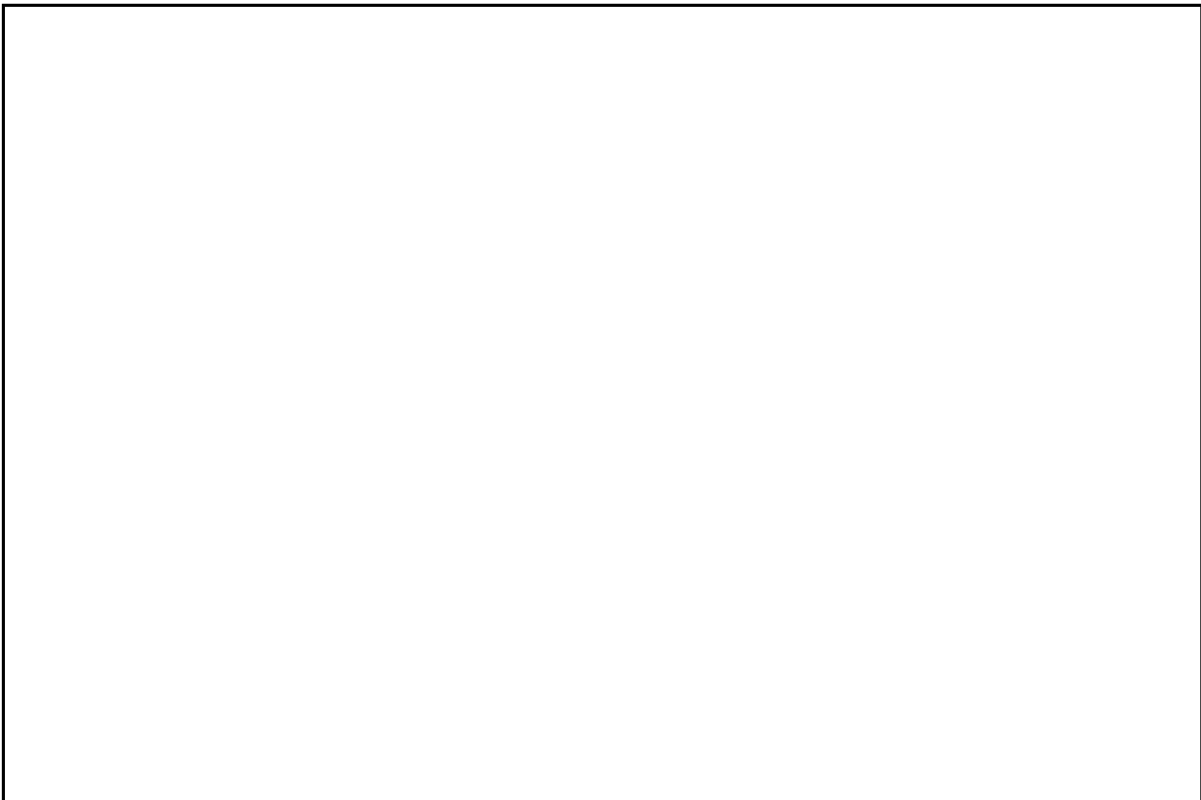
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- to create a small set of simulation models of economic subsectors, such as an industry or a commodity market;
- to develop some new automated files dealing with emerging data requests; and
- to create the statistics and software to generate weekly economic indicators for publication in the Economic Intelligence Weekly.

All of these objectives have been achieved and the DAC is now seeking to expand the number of economic simulations which can be exercised to provide policymakers with some insight into the economic impact of selected politico-economic situations.

For FY 1979, OER's plans for further work in the field of new analytical techniques include:



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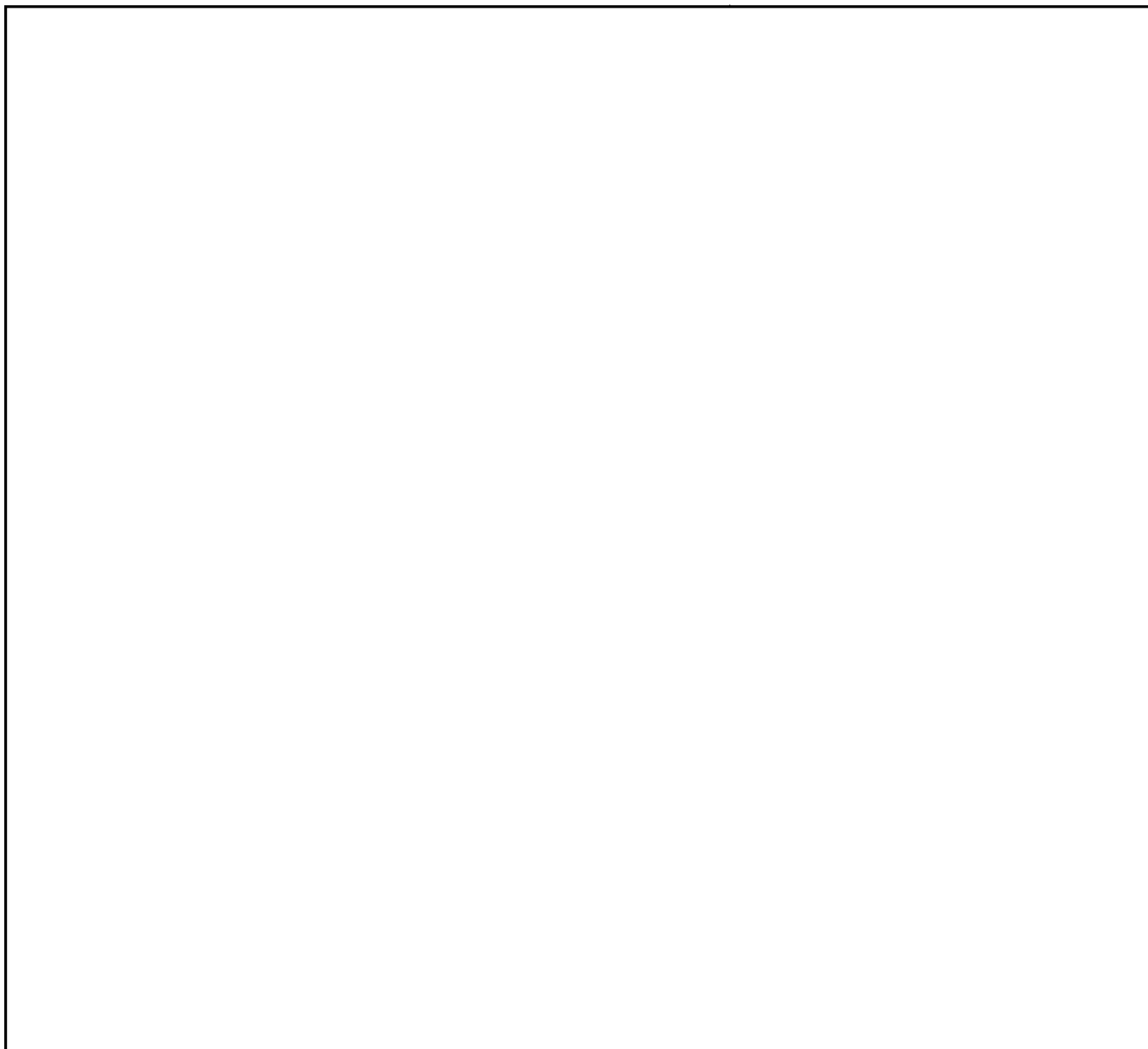
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Office of Regional and Political Analysis (ORPA)

ORPA and its two predecessors, the Office of Current Intelligence and the Office of Political Research, have been actively engaged in the study and application of new methods of analysis for the past four years. This effort has involved a thorough examination of the analytical techniques used in academia, industry and government and the selection and modification of those methods which have seemed most applicable to the problems of political intelligence analysis. Among the techniques

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we have tested and chosen to pursue are

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Notwithstanding this measure of success and ORPA's dedication to further progress in this field, it is important to note that new methods do not by themselves constitute the panacea that some have supposed. Many of the techniques that have proved valuable in other disciplines demand more factual data and time to employ them than are normally available in the political intelligence business. Moreover, though significant advances have been made in this field, political information cannot be so readily quantified as economic, scientific or military data and this conversion is critical to the success of many of the new methods. Finally, it is worth observing that much of the criticism of the intelligence community's alleged failure to become deeply involved with new techniques stems from academic circles where concern tends to be focused more on procedures than results and where familiarity with the realities of intelligence production and the needs of the government's foreign policy makers is less than complete.

ORPA's current analytical methods program is concerned more with application than discovery. A close watch is being maintained on methodology developments in other fields and the in-house effort to originate new techniques continues. But the thrust of the program is directed toward shaping previously identified methods to the needs of its production analysts. Essentially, this is a problem of applied engineering and the principal obstacle it faces is the fact that systematic analytical methods usually require more analyst time than traditional, intuitive approaches--and often more time than is available in a fast-breaking situation. Those proven techniques which ORPA is applying to some of its analytical problems and which show promise of increasing utility include:

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